

HR 1461

Federal Housing Finance Reform Act of 2005

Congress: 109 (2005–2007, Ended)

Chamber: House

Policy Area: Housing and Community Development

Introduced: Apr 5, 2005

Current Status: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban A

Latest Action: Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs. (Oct 31, 2005)

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Sponsor

Name: Rep. Baker, Richard H. [R-LA-6]

Party: Republican • **State:** LA • **Chamber:** House

Cosponsors (19 total)

| Cosponsor | Party / State | Role | Date Joined |
|---------------------------------------|---------------|------|--------------|
| Rep. Davis, Geoff [R-KY-4] | R · KY | | Apr 5, 2005 |
| Rep. Fitzpatrick, Michael G. [R-PA-8] | R · PA | | Apr 5, 2005 |
| Rep. Hensarling, Jeb [R-TX-5] | R · TX | | Apr 5, 2005 |
| Rep. Jones, Walter B., Jr. [R-NC-3] | R · NC | | Apr 5, 2005 |
| Rep. Oxley, Michael G. [R-OH-4] | R · OH | | Apr 5, 2005 |
| Rep. Ryun, Jim [R-KS-2] | R · KS | | Apr 5, 2005 |
| Rep. Shays, Christopher [R-CT-4] | R · CT | | Apr 5, 2005 |
| Rep. Barrett, J. Gresham [R-SC-3] | R · SC | | Apr 28, 2005 |
| Rep. Feeney, Tom [R-FL-24] | R · FL | | Apr 28, 2005 |
| Rep. Garrett, Scott [R-NJ-5] | R · NJ | | Apr 28, 2005 |
| Rep. Gillmor, Paul E. [R-OH-5] | R · OH | | Apr 28, 2005 |
| Rep. Wolf, Frank R. [R-VA-10] | R · VA | | Apr 28, 2005 |
| Rep. Blunt, Roy [R-MO-7] | R · MO | | May 12, 2005 |
| Rep. McHenry, Patrick T. [R-NC-10] | R · NC | | May 12, 2005 |
| Rep. Ros-Lehtinen, Ileana [R-FL-18] | R · FL | | May 12, 2005 |
| Rep. Ryan, Paul [R-WI-1] | R · WI | | May 17, 2005 |
| Rep. Aderholt, Robert B. [R-AL-4] | R · AL | | Jun 21, 2005 |
| Rep. McCotter, Thaddeus G. [R-MI-11] | R · MI | | Jun 21, 2005 |
| Rep. Simmons, Rob [R-CT-2] | R · CT | | Jul 14, 2005 |

Committee Activity

| Committee | Chamber | Activity | Date |
|---|---------|-----------------|--------------|
| Banking, Housing, and Urban Affairs Committee | Senate | Referred To | Oct 31, 2005 |
| Financial Services Committee | House | Reported By | Jul 14, 2005 |
| Judiciary Committee | House | Discharged From | Sep 16, 2005 |

Subjects & Policy Tags

Policy Area:

Housing and Community Development

Related Bills

| Bill | Relationship | Last Action |
|--------------|----------------------|---|
| 109 HRES 509 | Procedurally related | Oct 26, 2005: Motion to reconsider laid on the table Agreed to without objection. |

Federal Housing Finance Reform Act of 2005 - **Title I: Reform of Regulation of Enterprises and Federal Home Loan Banks - Subtitle A: Improvement of Safety and Soundness** - (Sec. 101) Amends the Housing and Community Development Act of 1992 (Act) to establish the Federal Housing Finance Agency (FHFA), which shall have supervisory and regulatory authority over the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (both hereinafter referred to as the "enterprises") and the Federal Home Loan Banks.

(Sec. 102) Sets forth duties and authorities of the Director of FHFA, which include regulating and overseeing the operations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (all three of which referred to as "regulated entities").

(Sec. 103) Establishes the Housing Finance Oversight Board to advise the Director.

(Sec. 104) States that the Director, with respect to regulated entities: (1) may require regular reports on condition, management, activities, or operations, and any special reports; (2) shall require reports of fraudulent financial transactions; (3) shall require annual reports of charitable contributions; (4) shall collect annual assessments; and (5) shall establish risk-based capital requirements for the regulated entities.

(Sec. 112) Authorizes the Director to: (1) raise minimum capital levels to ensure that regulated entities operate in a safe and sound manner; (2) establish temporary minimum capital increases; and (3) establish additional capital and reserve requirements for a particular program.

Requires the Director to periodically review, and adjust as necessary, the capital levels of regulated entities.

(Sec. 113) Requires the Director to periodically review enterprise assets and liabilities. Authorizes the Director to require the disposition or acquisition of certain assets and liabilities as appropriate.

(Sec. 114) Sets forth enterprise governing provisions.

(Sec. 115) Requires each regulated entity to register at least one class of stock with the Securities and Exchange Commission (SEC).

(Sec. 116) Amends the Federal Financial Institutions Examination Council Act of 1978 to include the Director on the Federal Financial Institutions Examination Council (FFIEC).

(Sec. 117) Directs the Government Accountability Office (GAO) to study regulated entity pricing, transparency, and reporting of guarantee fees.

Subtitle B: Improvement of Mission Supervision - (Sec. 121) Amends the Act to transfer authority to approve programs and to oversee the mission requirements of the enterprises from the Department of Housing and Urban Development (HUD) to FHFA.

(Sec. 122) Requires Director review and approval of an enterprise's new programs and activities, including pilot programs. Sets forth review and approval provisions.

(Sec. 123) Sets forth enterprise conforming loan limits for single-, two-family, three-family, and four-family residences.

Provides for: (1) annual loan limit increases or decreases; and (2) loan limit increases in areas where the median home price is greater than the conforming loan limit.

Requires the Director to: (1) develop a Housing Price Index, which shall be subject to a GAO audit on Index methodology and timing; and (2) conduct a study of issues related to loan limits in high cost areas.

(Sec. 124) Requires the Director to report annually to the appropriate congressional committees respecting each regulated entity's activities.

(Sec. 125) Replaces current housing goals with three single-family housing goals and a multifamily special affordable housing goal, to be established annually.

Requires: (1) an enterprise to disclose information to allow the Director to assess if there are interest rate disparities between minorities and non-minorities of similar creditworthiness; and (2) that if interest rate disparities exist, those findings must be reported to Congress and the Director must instruct the enterprise to take appropriate remedial action.

Requires the Director to establish (and authorizes increases of) an annual purchase goal for each enterprise for conventional, conforming, single-family, owner-occupied, and purchase money mortgages financing housing for: (1) low-income families; (2) families residing in low-income areas; and (3) very low-income families.

Requires the Director to establish a Multifamily Special Affordable Goal for mortgages that finance dwelling units: (1) for low-income families; (2) for very low-income families; and (3) assisted by the low-income housing tax credit. Requires the Director to establish additional requirements within the Multifamily Special Affordable Goal for small loans measured by either mortgage amounts or number of dwelling units in the project or both.

Authorizes an enterprise to petition the Director for a housing goal reduction.

(Sec. 126) States that each enterprise shall: (1) undertake activities relating to mortgages on housing for very low-, low-, and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities; and (2) have the duty to increase the liquidity of mortgage investments and improve the distribution of investment capital available for mortgage financing for underserved markets.

(Sec. 127) Sets forth housing goal monitoring and enforcement provisions.

(Sec. 128) Requires each enterprise to establish an affordable housing fund to: (1) increase homeownership for extremely low- and very low-income families, (2) increase investment in housing in low-income areas and areas designated as qualified census tracts or an area of chronic economic distress; (3) increase and preserve the supply of rental and owner-occupied housing for extremely low- and very low-income families; and (4) increase investment in economic and community development in economically underserved areas.

Sets forth fund allocation provisions. Sunsets such required funding five years after the sixth month after enactment of this Act.

Sets forth recipient (for-profit, governmental, and other than for-profit entities) and activity (including leveraged grants and homeownership) eligibility provisions.

Requires each enterprise to submit quarterly reports to the Director and the affordable housing board.

Requires the Director to appoint an affordable housing board.

(Sec. 130) Authorizes the Director to issue cease and desist orders and impose civil money penalties on an enterprise that has failed to: (1) meet a housing goal; (2) submit certain reports; (3) submit an acceptable housing plan; or (4) comply with a housing plan.

Subtitle C: Prompt Corrective Action - (Sec. 141) Amends the Act to require the Director to establish capital classifications for regulated entities.

Revises capital classification provisions. Prohibits, with a specified exception, a regulated entity from making a capital distribution that would result in such entity's undercapitalization.

(Sec. 142) Sets forth supervisory action applicable to undercapitalized regulated entities, including restrictions on asset growth.

(Sec. 143) Sets forth supervisory actions applicable to significantly undercapitalized regulated entities, including: (1) making current discretionary actions mandatory; and (2) limiting executive officer compensation or bonuses.

(Sec. 144) Authorizes the Director to establish a conservatorship or receivership over a critically undercapitalized regulated entity in order to reorganize, rehabilitate, or terminate the entity's affairs. Requires that FHFA be appointed as conservator or receiver.

Sets forth provisions respecting: (1) grounds for conservator or receiver appointment; (2) FHFA duties and powers as conservator or receiver; and (3) judicial review.

Subtitle D: Enforcement Actions - (Sec. 161) Authorizes the Director to: (1) issue a cease and desist order if a regulated entity or affiliated party is engaged in an unsafe or an unsound practice or is violating a rule or condition; and (2) deem a regulated entity to be engaged in unsafe and unsound practices if such entity receives a less than satisfactory rating for asset quality, management, earnings, or liquidity in its most recent exam.

(Sec. 162) Authorizes the Director to: (1) issue a temporary cease and desist order if the violation or threatened violation or unsafe or unsound practice specified in the notice of charges is likely to cause insolvency or a significant dissipation of assets or earnings or is likely to weaken the condition of the regulated entity prior to completion of the proceedings for issuance of a permanent cease-and-desist order; and (2) enforce such orders by a court injunction.

(Sec. 163) Authorizes the Director to seek prejudgment attachment.

(Sec. 164) Authorizes the Director to seek judicial enforcement of this title in U.S. district court.

(Sec. 165) Sets forth civil money penalties.

(Sec. 166) Authorizes the Director to issue removal and prohibition orders against a party for the protection of the regulated entity, including suspension or removal of a party charged with a felony.

(Sec. 167) Provides that a person who is subject to a removal or prohibition order and who knowingly participated in the conduct of the affairs of any regulated entity shall be fined not more than \$1 million, imprisoned for up to five years, or both.

(Sec. 168) Grants the Director subpoena authority.

Subtitle E: General Provisions - (Sec. 181) States that the boards of directors of Fannie Mae and Freddie Mac,

respectively, shall have between 7 and 15 members. (Current law requires 18 members.)

(Sec. 182) Requires the Director to report to Congress respecting: (1) the portfolio holdings of Fannie Mae and Freddie Mac; and (2) alternative secondary market systems.

Title II: Federal Home Loan Banks - (Sec. 201) Amends the Federal Home Loan Bank Act to define "Director" and "Agency" (FHFA) for purposes of such Act.

(Sec. 202) Revises Federal Home Loan Bank board of director provisions, including the number of directors for each bank and their qualifications and terms of office.

(Sec. 203) Replaces the Federal Housing Finance Board with FHFA.

(Sec. 204) Authorizes two or more Federal Home Loan Banks to establish a joint office in order to perform functions for, or providing services to, the Banks on a common or collective basis.

(Sec. 205) Requires the Director to prescribe rules to ensure that each Federal Home Loan Bank has access to information to determine the nature and extent of its joint and several liability.

(Sec. 206) Authorizes Bank mergers.

(Sec. 207) Exempts Federal Home Loan Banks from certain disclosure requirements respecting: (1) capital stock; (2) tender requirements; and (3) reporting requirements.

(Sec. 208) Redefines "community financial institution" to raise the maximum asset level to \$1 billion. Permits such institutions to use advances for community development lending.

(Sec. 210) Directs that GAO study the use of the Federal Home Loan Banks' affordable housing program to fund long-term care facilities for low- and moderate-income individuals.

Title III: Transfer of Functions, Personnel, and Property of Office of Federal Housing Enterprise Oversight, Federal Housing Finance Board, and Department of Housing and Urban Development - Subtitle A: Office of Federal Housing Enterprise Oversight - (Sec. 301) Abolishes the Office of Federal Housing Enterprise Oversight (OFHEO) of HUD and the positions of the Director and Deputy Director six months after enactment of this Act.

(Sec. 302) Sets forth provisions respecting: (1) continuation and coordination of operations; and (2) transfer (and rights) of OFHEO employees, property, and facilities to FHFA.

Subtitle B: Federal Housing Finance Board - (Sec. 321) Abolishes the Federal Housing Finance Board six months after enactment of this Act.

(Sec. 322) Sets forth provisions respecting: (1) continuation and coordination of operations; and (2) transfer (and rights) of Board employees, property, and facilities to FHFA.

Subtitle C: Department of Housing and Urban Development - (Sec. 341) Directs the Secretary of HUD to determine and transfer the enterprise-related functions and employees of HUD to FHFA within six months of enactment of this Act. Provides that during the six-month period after enactment of this Act HUD will continue to oversee the affordable housing goals, new programs, and mission of the enterprises.

(Sec. 342) Sets forth provisions respecting: (1) continuation and coordination of operations; and (2) transfer (and rights)

of employees, property, and facilities.

Actions Timeline

- **Oct 31, 2005:** Received in the Senate and Read twice and referred to the Committee on Banking, Housing, and Urban Affairs.
- **Oct 26, 2005:** Rule H. Res. 509 passed House.
- **Oct 26, 2005:** Considered under the provisions of rule H. Res. 509. (consideration: CR H9126-9188)
- **Oct 26, 2005:** Rule provides for consideration of H.R. 1461 with 1 hour of general debate. Previous question shall be considered as ordered without intervening motions except motion to recommit with or without instructions. Measure will be considered read. Specified amendments are in order.
- **Oct 26, 2005:** House resolved itself into the Committee of the Whole House on the state of the Union pursuant to H. Res. 509 and Rule XVIII.
- **Oct 26, 2005:** The Speaker designated the Honorable Michael K. Simpson to act as Chairman of the Committee.
- **Oct 26, 2005:** GENERAL DEBATE - The Committee of the Whole proceeded with one hour of general debate on H.R. 1461.
- **Oct 26, 2005:** DEBATE - Pursuant to the provisions of H. Res. 509, the Committee of the Whole proceeded with 20 minutes of debate on the Oxley amendment.
- **Oct 26, 2005:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Oxley amendment the Chair put the question on adoption of the amendment and by voice vote, announced that the noes had prevailed. Mr. Oxley demanded a recorded vote and the Chair postponed further proceedings on the question of adoption of the amendment until later in the legislative day.
- **Oct 26, 2005:** DEBATE - Pursuant to the provisions of H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Carson amendment.
- **Oct 26, 2005:** DEBATE - Pursuant to the provisions of H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Davis (AL) amendment.
- **Oct 26, 2005:** DEBATE - Pursuant to the provisions of H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Leach amendment.
- **Oct 26, 2005:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Leach amendment the Chair put the question on adoption of the amendment and by voice vote, announced that the noes had prevailed. Mr. Leach demanded a recorded vote and the Chair postponed further proceedings on the question of adoption of the amendment until later in the legislative day.
- **Oct 26, 2005:** UNFINISHED BUSINESS - The Chair announced that the unfinished business was the question of adoption of amendments which had been debated earlier and on which further proceedings had been postponed.
- **Oct 26, 2005:** DEBATE - Pursuant to H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Royce amendment.
- **Oct 26, 2005:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Royce amendment the Chair put the question on adoption of the amendment and by voice vote, announced that the noes had prevailed. Mr. Royce demanded a recorded vote and the Chair postponed further proceedings on the question of adoption of the amendment until later in the legislative day.
- **Oct 26, 2005:** DEBATE - Pursuant to H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Paul amendment.
- **Oct 26, 2005:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Paul amendment the Chair put the question on adoption of the amendment and by voice vote, announced that the noes had prevailed. Mr. Paul demanded a recorded vote and the Chair postponed further proceedings on the question of adoption of the amendment until later in the legislative day.
- **Oct 26, 2005:** DEBATE - Pursuant to H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Garrett (NJ) amendment.
- **Oct 26, 2005:** POSTPONED PROCEEDINGS - At the conclusion of debate on the Garrett (NJ) amendment the Chair put the question on adoption of the amendment and by voice vote, announced that the noes had prevailed. Mr. Garrett (NJ) demanded a recorded vote and the Chair postponed further proceedings on the question of adoption of the amendment until later in the legislative day.
- **Oct 26, 2005:** DEBATE - Pursuant to H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Loretta Sanchez amendment.
- **Oct 26, 2005:** Committee of the Whole House on the state of the Union rises leaving H.R. 1461 as unfinished business.
- **Oct 26, 2005:** Considered as unfinished business. (consideration: CR H9189-9196)
- **Oct 26, 2005:** The House resolved into Committee of the Whole House on the state of the Union for further

consideration.

- **Oct 26, 2005:** DEBATE - Pursuant to H. Res. 509, the Committee of the Whole proceeded with 10 minutes of debate on the Kanjorski amendment.
- **Oct 26, 2005:** UNFINISHED BUSINESS - The Chair announced that the unfinished business was the question of adoption of amendments which had been debated earlier and on which further proceedings had been postponed.
- **Oct 26, 2005:** The House rose from the Committee of the Whole House on the state of the Union to report H.R. 1461.
- **Oct 26, 2005:** The previous question was ordered pursuant to the rule.
- **Oct 26, 2005:** The House adopted the amendment in the nature of a substitute as agreed to by the Committee of the Whole House on the state of the Union. (text: CR H9141-9172)
- **Oct 26, 2005:** Mr. Frank (MA) moved to recommit with instructions to Financial Services.
- **Oct 26, 2005:** Floor summary: DEBATE - The House proceeded with 10 minutes of debate on the Frank (MA) motion to recommit with instructions.
- **Oct 26, 2005:** The previous question on the motion to recommit with instructions was ordered without objection.
- **Oct 26, 2005:** On motion to recommit with instructions Failed by recorded vote: 200 - 220 (Roll no. 546). (consideration: CR H9192-9195; text: CR H9192)
- **Oct 26, 2005:** Passed/agreed to in House: On passage Passed by recorded vote: 331 - 90 (Roll no. 547).
- **Oct 26, 2005:** On passage Passed by recorded vote: 331 - 90 (Roll no. 547).
- **Oct 26, 2005:** Motion to reconsider laid on the table Agreed to without objection.
- **Oct 25, 2005:** Rules Committee Resolution H. Res. 509 Reported to House. Rule provides for consideration of H.R. 1461 with 1 hour of general debate. Previous question shall be considered as ordered without intervening motions except motion to recommit with or without instructions. Measure will be considered read. Specified amendments are in order.
- **Sep 16, 2005:** Committee on Judiciary discharged.
- **Sep 16, 2005:** Committee on Judiciary discharged.
- **Sep 16, 2005:** Placed on the Union Calendar, Calendar No. 126.
- **Jul 14, 2005:** Reported (Amended) by the Committee on 109-171, Part I.
- **Jul 14, 2005:** Reported (Amended) by the Committee on 109-171, Part I.
- **Jul 14, 2005:** Referred sequentially to the House Committee on the Judiciary for a period ending not later than Sept. 16, 2005 for consideration of such provisions of the bill and amendment as fall within the jurisdiction of that committee pursuant to clause 1(1), rule X.
- **May 25, 2005:** Committee Consideration and Mark-up Session Held.
- **May 25, 2005:** Ordered to be Reported (Amended) by the Yeas and Nays: 65 - 5.
- **Apr 5, 2005:** Introduced in House
- **Apr 5, 2005:** Introduced in House
- **Apr 5, 2005:** Referred to the House Committee on Financial Services.